



Neighborhood Housing
and Community Development Office

City of Austin Density Bonus Policy

Resolution No. 20151015-038

Report and Recommendations on the Density Bonus Fee-In-Lieu
of onsite affordable housing units

August 1, 2016
City Council Housing and Community Development Committee

Outline

- I. Directive from City Council**
- II. Austin Affordable Housing Goals and Needs**
- III. Overview of Austin Density Bonus Policies**
- IV. Cost of Constructing, Preserving, and Buying-Down Affordable Housing**
- V. National Density Bonus Policies and Practices**
- VI. Recommendations for Potential City Council Action**

Council Resolution No. 20151015-038

Council Resolution No. 20151015-038 directed the City Manager to:

- Compile a report updating data on the effectiveness of the various density bonus programs
- Provide a per-unit cost estimate for constructing, preserving, or buying down the affordability of market rate units
- Conduct a review of best practices of using and calibrating fee-in-lieu within density bonus programs
- Develop recommendations for potential code amendments based on the analysis



Primary Recommendation

The City of Austin Neighborhood Housing and Community Development Office recommends that City Council consider engaging a third party consultant to conduct a comprehensive economic analysis to determine recommended formulas for calculating affordable housing community benefits.

Austin Affordable Housing Vision + Goals

Imagine Austin: Household Affordability

Vision:



Economically mixed and diverse neighborhoods across all parts of the city have a range of affordable housing options, where all residents have a variety of urban, suburban, and semi-rural lifestyle choices.

Austin Affordable Housing Vision + Goals

Neighborhood Housing and Community Development Targets

Housing for All

- Serve at least 20 unduplicated people under 20% MFI without a voucher each year
- 50% of new affordable housing units created to be adaptable and 25% to be accessible
- Support the production of 50 Permanent Supportive Housing (PSH) units each year, with half of those being Housing First

Family Friendly Housing

- 25% of affordable housing units that are created or preserved should have two or more bedrooms

Linking Housing to Transportation

- 25% of affordable housing created or preserved to be within ¼ mile of high frequency transit

Draft Austin Housing Plan released for public comment June 2016

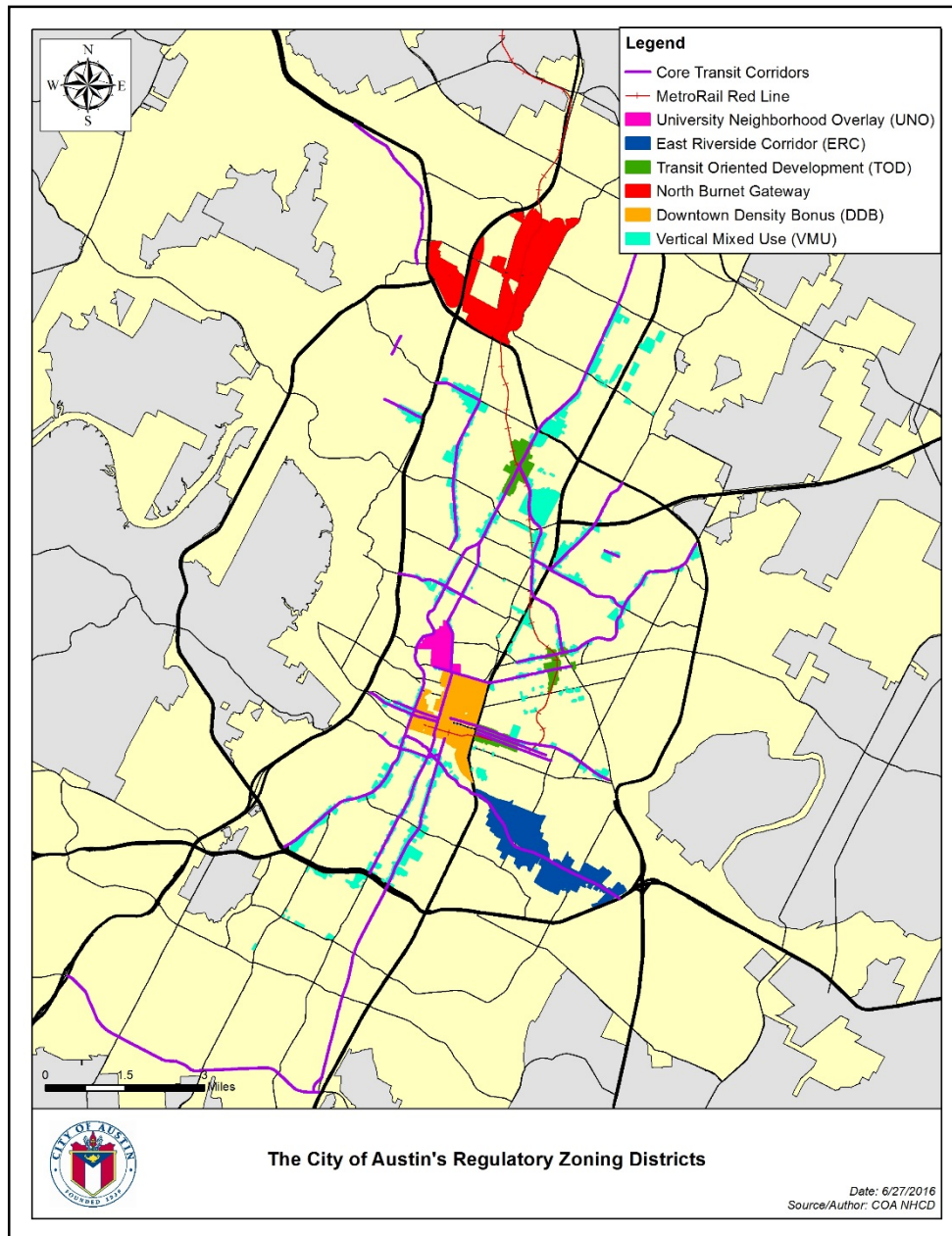
Austin Density Bonus Policies + Programs

Austin Density Bonus programs serve households at 50-120% of the Median Family Income

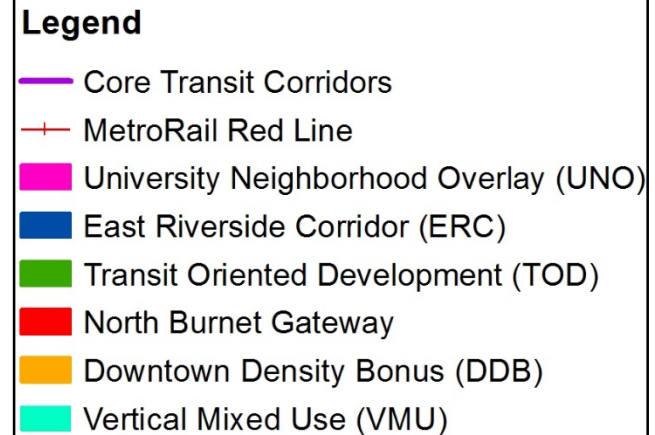
		Annual Household Income	Projected 2040 unit Gap
		less than \$15,000	25,000 units
30% MFI = \$28,300	→	\$15,000-\$35,000	35,000 units
60% MFI = \$46,680 50% MFI = \$38,900	→	\$35,000-\$50,000	20,000 units
80% MFI = \$62,250	→	\$50,000-\$75,000	30,000 units
100% MFI = \$77,800 120% MFI = \$93,360	→	\$75,000-\$100,000	15,000 units
		\$100,000-\$150,000	20,000 units
		more than \$150,000	15,000 units

2016 Austin-Round Rock MSA
Income levels are based on a
four person household

Austin Density Bonus Policies + Programs



10 Density Bonus Programs each regulated by a different ordinance created



- map is the Micro-Unit Density Bonus introduced in 2014
- There is an additional Rainey Street specific density bonus within the Downtown Density Bonus overlay.

Austin Density Bonus Policies + Programs

The Austin density bonus programs have secured:

- A total of 1,653 units (revised from June draft report)
- predominantly at 80% MFI and below
- A total of 96 developments have participated in a density bonus program in Austin

Austin Density Bonus Policies + Programs

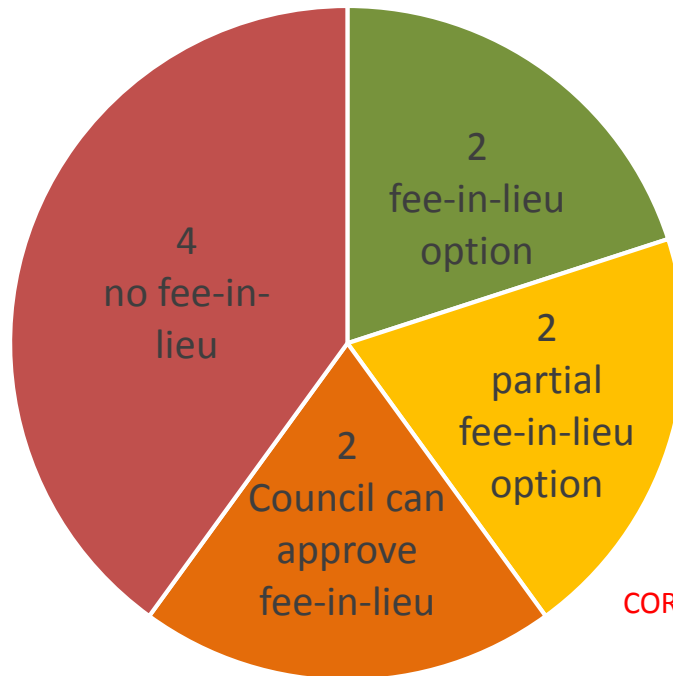
Characteristics:

- policies vary greatly in regards to regulations, incentives, community benefits, and productivity
- Economic analysis did not inform calculation of affordable housing or community benefits across all policies
- Out of 10 policies:
 - 4 do not include a fee-in-lieu option
 - 6 include a partial or full fee-in-lieu option

Austin Density Bonus Policies + Programs

Fee-in-lieu of onsite affordable housing:

- Each fee amount was set using a different process at different times
- Fee amounts range from \$0.50-\$10 per square foot



No Fee-in-lieu option:

Micro Units
Rainey Street
S.M.A.R.T. Housing Greenfield
Vertical Mixed Use

Council can approve fee-in-lieu:

Planned Unit Development
Transit Oriented Development

Partial fee-in-lieu option:

East Riverside Corridor
University Neighborhood Overlay

Fee-in-lieu option:

CORRECTION
8/2/16:

~~East Riverside Corridor~~
North Burnet Gateway

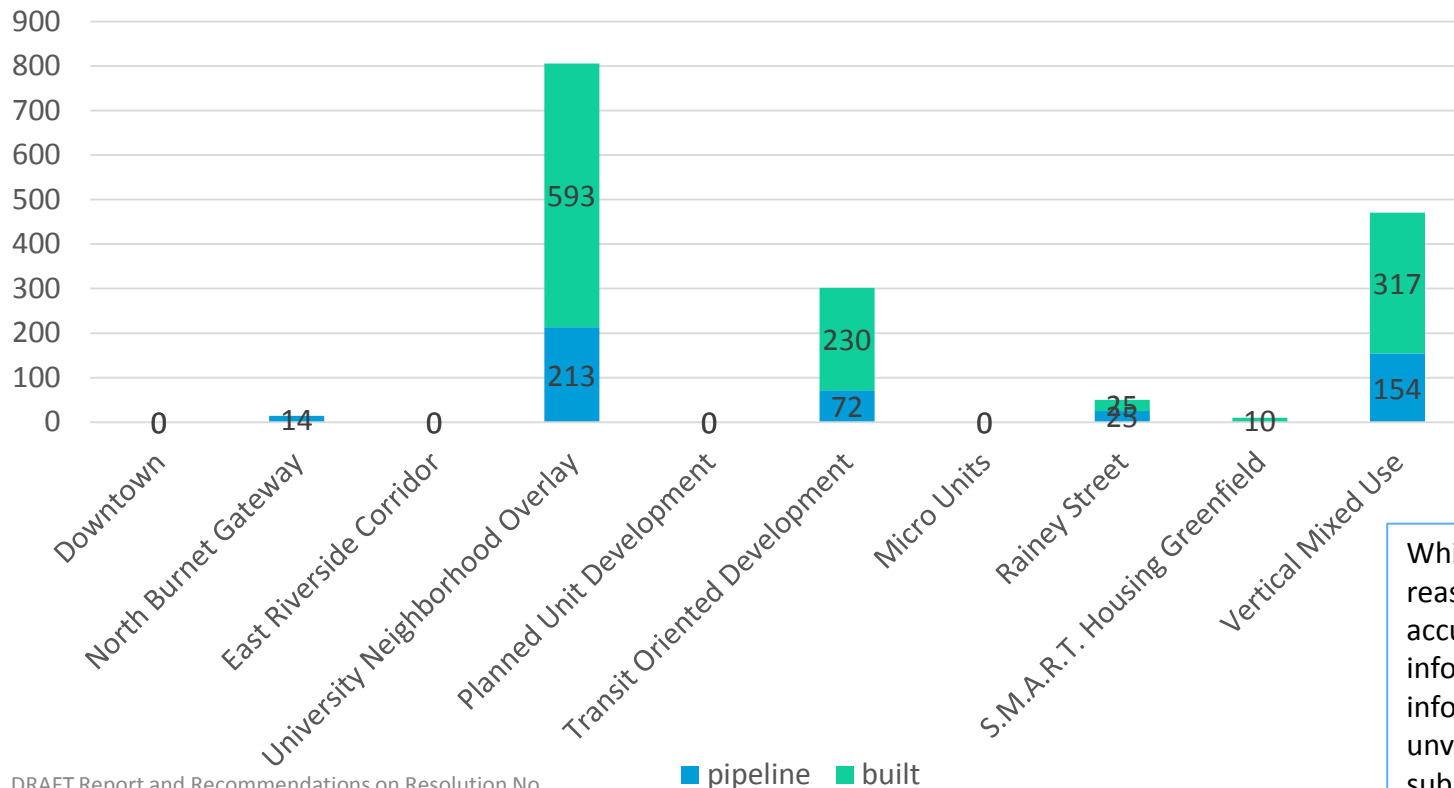
Downtown
Density Bonus

Austin Density Bonus Policies + Programs

Top Performers

1. University Neighborhood Overlay – partial fee-in-lieu
2. Vertical Mixed Use – no fee-in-lieu
3. Transit Oriented Development – City Council may approve fee-in-lieu

2016 Density Bonus Unit Count



While the City of Austin uses reasonable efforts to provide accurate and up-to-date information, some of the information provided may be unverifiable at this time and is subject to change without notice

Austin Density Bonus Policies + Programs

Total fees-in-lieu secured = \$4,831,364

Accounting of fee-in-lieu revenue

Payments received:

\$1,695,251.75 - University Neighborhood Overlay density bonus

\$23,250 – Planned Unit Development density bonus

Reinvested of fees:

- \$837,500 - Super Co-Op, 1905 Nueces Street, (College Houses)
 - The funds were used for debt reduction and were applied to 50 “units/beds” for persons with incomes at or below 50% MFI at the Super Co-Op
- \$628,089 - Ruth R. Schulze Co-Op, , 915 W. 22nd Street, (University ICC)
 - award of UNO funds was approved on April 17, 2014 for \$628,089 for the University Inter-Cooperative Council’s “Ruth R. Schulze Co-Op” - loan has not closed
- \$31,945 University Neighborhood Overlay density bonus policy analysis conducted by Economic & Planning Services in 2011
- Remaining UNO Trust Fund balance = \$825,806.75

Cost of Construction, Rents, and Sales Prices in Austin

Approximate cost of construction

- \$197 per square foot
- \$295,050 per unit

Source: based on CodeNEXT Sound Check Focus Areas

Average Market Rate Rents:

1 bedroom - \$976-\$1,100

3 bedroom - \$1,534 - \$1,800

Source: The Austin Multi-Family Trends Report 2015 4th Quarter and Zillow Data Austin Median Rental List Price for April 2016

	Detached Residential		Attached Residential		All Residential Sales	
Primary Year	# of Sales	Median Sales Price	# of Sales	Median Sales Price	# of Sales	Median Sales Price
2014	11,094	\$315,000	2,716	\$223,444	13,847	\$295,000
2015	11,388	\$341,000	2,625	\$243,000	14,055	\$322,500
2016 (YTD)	4,319	\$355,000	1,049	\$259,900	5,389	\$339,000

Cost of Construction, Rents, and Sales Prices in Austin

Affordable Rents

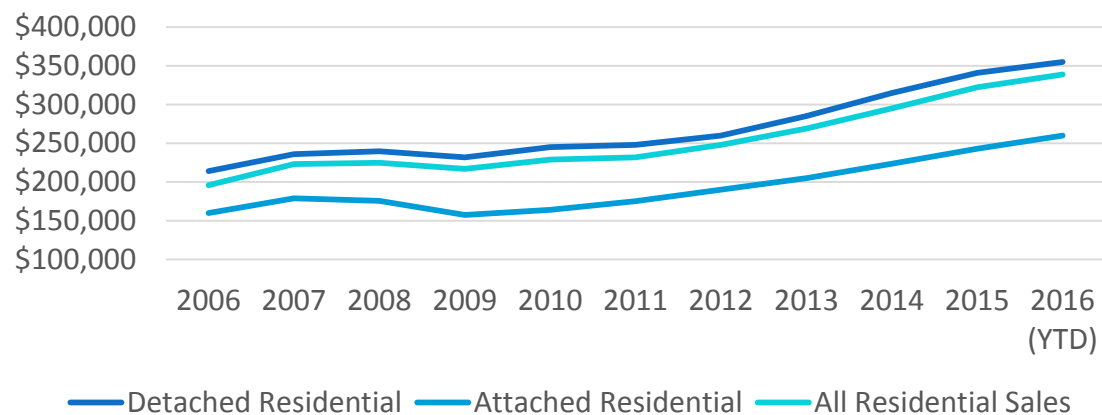
	Affordable 1 bedroom (1 person household income)	Total Buy-Down for 40 years of affordability	Affordable 3 bedroom (4 person household	Total Buy-Down for 40 years of affordability
Average Market Rate Rent	\$976-\$1,100		\$1,534-\$1,800	
80% MFI	\$1,005	\$0-\$17,153	\$1,434	\$18,056- \$66,083
60% MFI	\$753	\$40,264- \$62,653	\$1,075	\$82,875- \$130,903
50% MFI	\$628	\$62,833- \$85,222	\$896	\$115,194- \$163,222
30% MFI	\$377	\$108,153- \$130,542	\$566	\$174,778- \$222,806

Cost of Construction, Rents, and Sales Prices in Austin

Affordable Sale Prices

% Area Median Family Income	Annual Income for a 4 person household	Estimated Affordable Sales Price	Buy-Down (Subsidy) Required for \$339,000 house
120%	\$92,160	\$276,480	\$62,520
100%	\$76,800	\$230,400	\$108,600
80%	\$61,450	\$184,350	\$154,650

Comparative sales price increases for residential property, 2006-2016



Source:
Austin Board of Realtors

National Density Bonus Policies

- Policies related to density bonus programs vary from community to community.
 - **There is no clear “Best Practice”** - Every state is working to find the policy that best fits the specific needs of the community and the current development market environment.
- Texas is now the only state that prohibits mandatory inclusionary zoning. Oregon recently passed legislation revising the State inclusionary housing laws that had previously prohibited mandatory inclusionary housing.
- Even states with mandatory inclusionary housing policies provide development incentives to secure long-term affordable housing.

National Density Bonus Policies

Recommended Practices:



- Structure an inclusionary housing policy that will both produce new affordable housing and support economic revitalization in urban neighborhoods with weaker housing markets
- In high-cost or strong housing market cities, a single policy applied uniformly across the jurisdiction is often preferable for ease of administration
- Set clear and reliable data metrics and standards
- Provide clear and transparent policy guidance:

National Density Bonus Policies



Fee-in-lieu of onsite affordable housing units:

In-lieu Fees Opportunities:

- Legal desirability of flexibility
- More units
 - Potential for leverage of outside funds
 - Use expertise of nonprofits
 - Can simplify financing of market rate units, particularly if development community is not used to Inclusionary Zoning
- On site performance can be hard to monitor and manage (income verification, HOA dues)
- More flexibility in what units are built

National Density Bonus Policies

Fee-in-lieu of onsite affordable housing units:



In-lieu Fees Challenges:

- Prices often set too low (not properly calibrated)
- Can slow down the process
- Can be difficult to get units in neighborhoods if land is not available or too expensive
- There may not be strong non-profits to give the money to
- Subsidies may already be spoken for

National Density Bonus Policies



Fee-in-lieu of onsite affordable housing units:

Best Practices for In-lieu fee policies:

- Have a preference
- Set a meaningful fee
- Target expenditure of fees
- Track and report results

How are in-lieu fees set?

- Arbitrary
- What the Market Will Bear
- Affordability Gap
- Production Cost

Recommendations

NHCD's primary recommendation would be for the City Council to direct a **comprehensive economic analysis** by third party consultant to determine recommended fee-in-lieu amounts and on-site affordability requirements based on value of bonus entitlements.

- a. Analysis will inform expanded density bonus programs under CodeNEXT
- b. Consultant should include experts in inclusionary housing policy
- c. Consider the impact of affordable housing requirements on market rate housing prices

Recommendations

A comprehensive economic analysis could provide essential information related to the following:

1. Identify where the fee-in-lieu amount can be increased both based on the market demand and as a mechanism to incentivize developers to choose to provide on-site affordable housing
2. Establish a fee-in-lieu amount above \$0 for non-residential developments in all density bonus areas
3. How many developments have chosen not to access the density bonus in each area and why?
4. Could the Vertical Mixed Use density bonus sustain an increased affordability requirement? (i.e. 25% of residential square footage)
5. Should developers have a choice to provide fewer units if these units are affordable to lower median family income levels?

Recommendations

Recommended interim interventions

1. Standardize affordable housing formula and requirements
2. Explore the possibility of extending affordability periods
3. Add Housing Choice Voucher provision to all density bonus programs
4. Consider amending the TOD affordability requirements to minimize requests for partial or full fee-in-lieu approval
5. Explore the possibility of including affordable housing community benefits in the Planned Unit Development Tier 1 requirements

Recommendations

Other City of Austin reports with density bonus policy recommendations:

- 2015 Fair Housing Action Plan / 2014 Analysis of Impediments to Fair Housing Choice
- 2014 Housing+Transit+Jobs Action Team Recommendations
- 2016 CodeNEXT 2016 Affordability Prescription Paper

Discussion